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# BULLETIN

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## Some Consequences of Growth in Federal Milk Orders

Excerpts from an address by H. L. Forest, Director, Dairy Division, AMS, at Annual Convention of New England Milk Dealers, Inc., Portsmouth, New Hampshire, May 26, 1958

Federal orders on the way out! This was the prognostication in 1947 by one of the better known analysis sheets regularly published in Washington. But today the most significant development of current interest in Federal milk orders is their continued expansion. Federal milk orders are now effective in sixty-eight separate markets. In nine more markets hearings have been held and decisions on new orders are pending.

The growth in number of markets regulated is only one aspect of the expanding regulation. Several milk orders have been amended to define larger marketing areas. The largest area increase was the extension of the New York Federal milk order to cover milk marketed in Northern New Jersey and in several up-state New York cities. The population of this added area, about 7 million persons, is more than two-thirds the size of the area previously covered by the New York order. In the past two years, 20 other marketing areas have been extended to cover additional territory in which about 1½ million people reside. Today the marketing areas in which Federal milk orders regulate the marketing of milk include 60 percent of the urban population of the United States. Decisions made with respect to Federal orders are now major ones with considerable impact on the national agricultural picture.

The increasing size of marketing areas defined in Federal milk orders is a natural consequence of changes which are taking place in milk marketing. In the early years of milk orders fluid milk

supply areas and sales areas tended to be limited in size by cost and quality problems attributable largely to the transportation systems of the time. Techniques were developed and improved during World War II to move milk long distances to feed war workers in areas where population was expanding faster than milk supplies. Since the war we have seen continued and substantial improvements in transportation facilities, both in the form of mobile refrigerated equipment and in better and more direct roads. With these facilities for longer movement of milk in good condition, sales areas have been extended over hundreds of miles—in a few instances, over a thousand.

Recognition of this growth of sales areas had to be made by expanding Federal milk market order areas. In addition more Federal milk orders have been issued and the interchange of business between markets has increased.

However, recognizing the need for different rules to deal with different situations there are many general developments in fluid milk marketing which must

be considered from a background as broad as the implication of such developments. Decisions made in one area to an increasing degree affect marketing in neighboring areas. The decisions on price produce the most immediate and significant response within a group of related markets. For that reason the alignment of prices with other markets has become an important factor in determining the price level in all Federal milk orders.

The system of formula pricing which has been developed for Federal order markets helps to maintain prices in proper alignment. All Class I pricing formulas which operate on a base of manufacturing milk prices, tend to move prices in each market by about the same amount as any change in prices paid for manufacturing milk. For example, all such prices dropped in April when price support levels were reduced. The economic formulas which respond primarily to general price level changes, tend also to move together. Over a period of time we should expect that they would also follow the prices of manufacturing milk. The concept of a local market today, however, comprises a much larger territory than it did a few years ago.

The interdependency of milk markets and their declining individuality, have brought requests from both producers and handlers not only for uniform patterns of Class I prices, but also uniform blend prices to all producers in a region. The factors which prompt requests for

(continued on page four)





*Columbus*

## MARKET FACTS FOR EASY REFERENCE

### PRICE SUMMARY

Producers' Uniform Price (3.5%) .....	
Producers' Uniform Price (4%) .....	
Class I (3.5%) .....	
Class II (3.5%) .....	
Class III (3.5%) .....	
Class IV (3.5%) .....	
Producer Butterfat Differential for each 1/10% .....	

May 1958	April 1958	May 1957
\$3.56	\$3.81	\$3.88
3.90	4.16	4.235
4.274	4.350	4.568
3.874	3.950	4.168
3.274	3.350	3.488
2.851	2.927	3.066
6.8¢	7.0¢	7.1¢

### UTILIZATION SUMMARY

Percent of Producer Milk in Class I .....	
" " " B.F. " " I .....	
" " " Milk " " II .....	
" " " B.F. " " II .....	
" " " Milk " " III .....	
" " " B.F. " " III .....	
" " " Milk " " IV .....	
" " " B.F. " " IV .....	

66.3	78.0	67.6
65.6	76.6	67.4
7.6	9.2	7.2
2.4	2.5	3.0
9.5	8.9	14.4
14.9	14.8	17.9
16.6	3.9	10.8
17.1	6.1	11.7

### PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered .....	
Average Daily Class I Producer Milk .....	
Total Number of Producers .....	
Average Daily Production per Producer .....	
Average Butterfat Test .....	
Total Value of Producer Milk at Test .....	
Income per Producer (7 Day Average) .....	

30,140,831	25,127,358	30,240,247
645,005	653,042	659,588
1,822	1,821	1,908
534	460	511
3.69	3.73	3.70
\$1,218,543.47	\$1,086,769.55	\$1,321,972.63
\$151.02	\$139.25	\$156.45

### GROSS CLASS USE (Pounds)

Class I Skim .....	
" I B.F. ....	
" I Milk .....	
" II Skim .....	
" II B.F. ....	
" II Milk .....	

19,398,433	19,011,795	19,815,803
729,536	718,332	753,957
20,127,969	19,730,127	20,569,760
2,264,763	2,308,965	2,181,079
27,206	23,313	33,854
2,291,969	2,332,278	2,214,933

### AVERAGE DAILY SALES (Quarts)

Milk .....	
Buttermilk .....	
Chocolate .....	
Skim .....	
Cream .....	

269,804	268,855	264,433
5,985	5,817	6,032
13,402	13,409	13,354
9,705	9,615	8,652
8,030	7,581	7,764



**COMPARATIVE STATISTICS ★**

**COLUMBUS MARKETING AREA**

★ **MAY, 1949-58**

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1949.....	22,043,967	4.03	57.0	6.8	20.1	16.1	3.49	3.685	3.435	3.361	3.082	2,382	299
1950.....	21,125,724	4.02	63.1	26.4	10.5	—	3.52	3.711	3.311	2.986	—	2,088	326
1951.....	23,712,948	3.95	72.2	24.6	3.2	—	4.23	4.438	4.037	3.612	—	2,107	366
1952.....	23,897,782	3.90	60.6	30.9	3.4	—	4.30	4.860	4.460	3.714	—	2,108	363
1953.....	26,860,120	3.86	59.5	24.7	15.8	—	3.91	4.516	4.116	3.441	—	2,226	389
1954.....	28,123,912	3.83	59.2	6.4	14.4	20.0	3.25	3.99	3.59	3.23	3.05	2,175	417
1955.....	29,742,565	3.71	59.5	6.7	15.2	18.6	3.45	4.204	3.804	3.304	3.129	2,084	460
1956.....	30,035,601	3.77	63.1	8.4	13.6	14.9	3.87	4.757	3.897	3.397	3.220	2,056	471
1957.....	30,240,247	3.70	67.6	7.2	14.4	10.8	3.88	4.568	4.168	3.488	3.066	1,908	511
1958.....	30,140,831	3.69	66.3	7.6	9.5	16.6	3.56	4.274	3.874	3.274	2.851	1,822	534

## Decline in Use of Milk Products Partly Due to Fewer Farms with Milk Cows

Available data indicate that consumption of fluid milk is considerably higher on farms where milk is produced than among people on other types of farms, or in nonfarm residences where the milk has to be purchased. Farmers figure the cost of their home consumption of milk at the price they received for the milk in the local market. In recent years, this has been one-half or less the retail price for milk in the respective areas. Consequently, as people shift from dairy farming to some other pursuit they apparently tend to curtail substantially their per capita consumption of fluid milk even if their income is unchanged. From 1952 to 1957, consumption of milk in households on farms producing milk declined about 20 percent, to 7.5 billion pounds. At the same time, use of milk in households on farms without milk cows decreased reflecting the decline in farm population and in 1957 accounted for about 1.6 billion pounds of milk. Consumption of fluid milk and cream among non-farm people reached 51 billion pounds for the first time in 1957 and accounted for 45 percent of the quantity of milk sold by farmers. From 1925 through the early 1940's, between 30 and 40 percent of the quantity of milk sold by farmers was used for fluid purposes. The special milk program has increased the nonfarm use of fluid milk since 1954. Its importance cannot be precisely measured, because in some instances increased utilization of milk in schools may replace milk used in homes. On the other hand, use of milk in schools may develop milk drinking habits among pupils and may stimulate even greater consumption in homes. Consumption of fluid milk and cream

was reasonably stable in the first three quarters of 1957 but declined slightly in the closing quarter. For the year as a whole per capita consumption was 351 pounds compared with 354 pounds in 1956. For all milk products per capita use was 695 pounds in 1957, a decline of 2 percent from the 707 pounds in 1956.

Butter is the only other product made from milk and used in significant amounts in households of farm producers. At one time cheese production on farms was also important, both in household use and in sales, but available information indicates that this practice became insignificant by the late 1920's. Production of butter on farms declined from the mid-1920's until 1930. With the serious depression of the 1930's, farm output increased apparently because of a back-to-the-farm movement. From a depression peak of 581 million pounds, butter production on farms has declined each year except 1945, until in 1957 it was 137 million pounds. Sales of butter by farmers have declined steadily since the mid 1920's, except for very slight upturns in 1931-32 and 1945-46. Sales in each of the last two years were less than 20 million pounds. Consumption of butter in households of those farmers who produce butter only for their own use probably is

## MAY PRODUCTION EXCEEDS 30.1 MILLION POUNDS

The producers in the Columbus marketing area delivered 30.1 million pounds of milk during the month of May. This is an increase of 5 million pounds over the previous month and a very slight decrease of .1 million pounds as compared to May, a year ago.

Average daily production per producer of 534 pounds showed a marked increase over the 511 pounds in May, 1957, due to the reduction in the number of producers from 1,908 in 1957 to 1,822 in May, 1958. This represents a decrease of 86 producers or 4.5 percent.

The uniform price of \$3.56 per hundredweight for milk testing 3.5 percent butterfat was 25 cents per hundredweight below April and 32 cents less than that received by producers in May, 1957.

Of the 30.1 million pounds of producer milk, 66.3 percent was priced in Class I.

somewhat higher than in those households where butter is produced for sale as well as for home use. It is considerably higher than in those farm households where all butter used has to be purchased. As a result, as the practice of making butter in farm households has declined, the general level of butter consumption has tended to fall off. This coupled with the tendency for nonfarm consumers to use less total table fats, and to shift from butter to margarine, has resulted in the pronounced decline in per capita use of butter in the U. S.



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BE STRONGER  
LIVE LONGER  
DRINK MILK

## Consequences of Growth (continued from page one)

regional pools are similar to those which underlie requests for marketwide pools, in preference to individual handler pools.

In considering the various means by which price alignment may be achieved we need a concept of what kind of price alignment is desirable. Do we want one price in all areas? Do we want price differences to reflect transportation costs only? Do we want our pattern of price alignment to direct supplies of milk where they are needed for fluid sales?

The normal function of price is to distribute the available supply of a commodity according to the demand for it. The Agricultural Marketing Agreement Act specifies that price should direct an adequate supply of milk to the market. It is that kind of price alignment we try to accomplish in the pattern of Federal Milk order pricing — not a fixed relationship but one which responds to market changes.

As a consequence of more intermarket business we can expect demands for more uniformity in Federal milk orders but uniformity may or may not be a means for bringing about marketing improvements. Uniformity whether it be accomplished by a single order or a group of related orders tends to be resistant to change. Necessary amendments are often deferred because of the extreme complexity of the marketing problems in a large market or in an area where a change would affect several markets. But the complexity of the problem cannot be avoided by merely ignoring it. The very

## Market Quotations

	May 1958
12 MIDWEST CONDENSERIES 3.5% per Cwt. ....	\$2.896
5 CONDENSERIES (Cincinnati) 3.5% per Cwt. ....	2.7162
5 CONDENSERIES (North Central Ohio) 3.5% per Cwt. ....	2.725
2 CONDENSERIES (Toledo) 3.5% per Cwt. ....	2.762
4 CONDENSERIES (Tri-State) 3.5% per Cwt. ....	2.775
Evaporated Milk Code Price, 3.5% per Cwt. ....	2.744
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati) ....	2.9958
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus) ....	2.974
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton) ....	2.998
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo-Tri-State) ....	2.872
Average Weekly Cheddars price per lb. ....	.31727
Average price per lb. non-fat dry milk solids, roller process delivered Chicago ....	.12875
Average price per lb. 92-score butter at Chicago ....	5.7661
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant ....	.12525

nature of modern day milk production and distribution dictates the kind of markets which exist and the regulatory program of Federal milk orders must be adapted to the times if it is to serve the industry.

The leadership, planning and foresight which has brought us to our present plane of progress in milk marketing will be needed to direct progress in the future toward a uniform pattern of regulation which grows with each market's needs. From the differences which exist today in pricing, accounting and verifications systems we have an opportunity to choose the best or the worst to mold the pattern for the future. It is important that the choice for the best be made before the mold becomes too set in outdated or inadequate patterns. That is the challenge which area expansion and the trend to uniformity has tossed to the dairy industry leadership.

## Feed Crop Prospects Good to Excellent on May 1

Prospects for 1958 feed crops were very favorable in nearly all areas of the country on May 1. Soil moisture is generally ample for both forage crops and early seeded feed grains. Oats and barley were seeded ahead of schedule in the midwestern States and weather has favored early growth. Conditions also have been favorable for preparation of the soil and early planting of corn and sorghums. A continuation of these favorable prospects, together with the big carryover stocks in prospect, would mean another record supply of feed grains in 1958-59.

Pastures and ranges were good to excellent throughout the country on May 1. The condition of pastures on that date averaged 89 percent of "normal", 4 points higher than last year and the best since 1921.